

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SAA-01
SSM-03 IO-13 TRSY-02 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 ACDA-12 NRC-05 /194 W
-----046100 252217Z /46

R 250955Z JUL 78

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2824

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY BONN

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

/AMEMBASSY OTTAWA 88

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

/AMEMBASSY VIENNA 224

C O N F I D E N T I A L JIDDA 5460

E.O. 11652: GDS

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TAGS: ECON, ENRG, EAID, ECIN, SA

SUBJECT: UNDERSECRETARY RICHARD COOPER DISCUSSION WITH GOVERNOR
OF SAMA, ABDUL AZIZ QURAISHI

1. ACCOMPANIED BY THE AMBASSADOR AND ECONOMIC COUNSELOR,
UNDERSECRETARY COOPER HAD VERY USEFUL DISCUSSION WITH
ABDUL AZIZ QURAISHI, GOVERNOR OF THE SAUDI ARABIAN

MONETARY AGENCY AND SAG FINANCIAL POLICY CONTRIBUTOR. UNDERSECRETARY COOPER OPENED THE DISCUSSION WITH A QUERY TO QURAISHI ON THE REPORT IN THE MORNING PRESS ABOUT OPEC PRICING OIL ON A FORMULA INVOLVING A BASKET OF CONSUMER CURRENCIES. QURAISHI RESPONDED THAT SAUDI POLICY OF STICKING TO THE DOLLAR WOULD CONTINUE. HOWEVER, THE PRESSURES FROM OTHER OPEC MEMBERS FOR SOME ALLEVIATING MONETARY ADJUSTMENT WERE BECOMING MORE INTENSE. AT ANY RATE QURAISHI STATED THAT THE NEWS REPORT EMANATED FROM THE OPEC SECRETARIAT BUT THE REAL DECISION WOULD BE MADE BY THE OPEC GOVERNORS, THE MINISTERIAL COUNTRY MEMBERS IN DECEMBER. WHILE THE PRESENT CHAIRMAN OF THE OPEC GOVERNORS, MINISTER ATEEQI OF KUWAIT, COULD CALL FOR AN EARLIER MEETING, IT WAS FELT THAT IT WOULD BE HELD ON SCHEDULE IN DECEMBER. QURAISHI DID NOT EXPECT AN AGREEMENT TO THE BASKET PRICING FORMULA BY THE OPEC GOVERNORS.

2. QYRAISHI THEN DEALT LENGTHILY WITH THE ADVERSE EFFECTS OF THE DOLLAR DECLINE ON OPEC OIL PRODUCER REVENUES. HE FELT THAT SAUDI ARABIA WAS NOW GETTING ONLY 70 PERCENT RETURN IN PURCHASING POWER FOR ITS CURRENT DOLLAR EARNINGS FROM OIL. HE ALLUDED TO THE COMPETITIVE EFFECTS OF THIS ON THE U.S. FIRST, EUROPEAN PURCHASERS WERE NOW GETTING THE MOST EXPENSIVE

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INDUSTRIAL RESOURCE, ENERGY, CHEAPER THAN THE U.S. THIS ALLOWED THEM TO COMPETE ON THE WORLD'S EXPORT MARKETS WITH THE U.S. EVEN THOUGH THE DOLLAR EXPORT PRICES WERE ATTRACTIVE. MR. COOPER OBSERVED THAT IT TOOK SOME 18 MONTHS FOR CURRENCY CHANGES TO HAVE A SIGNIFICANT EFFECT ON WORLD TRADE.

3. UNDERSECRETARY COOPER THEN TURNED TO A REVIEW OF THE BONN SUMMIT INVOLVING QUESTIONS OF GROWTH, ENERGY, FINANCE AND TRADE. HE STATED THAT THERE WAS A GOOD AMOUNT OF CRITICISM FROM THE EUROPEANS, PARTICULARLY GERMANY, FRANCE, AND THE U.K. RE ENERGY INACTION, THE CONTINUING LOWER PRICE LEVELS FOR ENERGY AND THE INABILITY TO LOWER OIL CONSUMPTION IN THE U.S. UNDERSECRETARY COOPER STATED THAT THIS WAS NOT THE CASE BECAUSE THE RECORD OF DECREASED U.S. OIL IMPORTS AND OTHER INDEPENDENT ACTIONS OUTSIDE OF CONGRESSIONAL ACTION DID SHOW THAT THE U.S. WAS WORKING TO RIGHT THE SITUATION.

4. UNDERSECRETARY COOPER UNDERScoreD THE HARMONY THAT PREVAILED AT BONN. HE POINTED OUT THAT THE EUROPEANS

WERE AFFECTED BY THE LOW RATE OF ECONOMIC GROWTH, PARTICULARLY GERMANY, WHICH WAS RUNNING INTO UNEMPLOYMENT PROBLEMS AND FACED WITH VERY LOW INVESTMENT LEVELS. ON THE OTHER HAND, THE EUROPEANS WERE SHOWING MORE UNDERSTANDING FOR THE U.S. POSITION. HE OBSERVED THAT THE COMMUNIQUE ON TERRORISM WAS PURELY EXTEMPORANEOUS AND WHILE IT HAD NOT BEEN PLANNED, IT WAS FELT THAT THE OCCASION WARRANTED ITS ADDITION TO THE SUMMIT.

5. UNDERSECRETARY COOPER NOTED THAT JAPAN WAS APPREHENSIVE ABOUT THE APPRECIATING YEN AND THE EFFECT IT WOULD HAVE ON EXPORTS. JAPAN SEEMED ALSO TO WANT TO RECTIFY ITS INVESTMENT AND TRADE POLICIES IN COM-
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PATIBILITY WITH OTHER SUMMIT PARTICIPANTS, BUT WOULD BE HARD PUT TO DO SO UNLESS THE MAZE OF DOMESTIC RESTRICTIONS ON INVESTMENT COULD BE ELIMINATED.

6. QURAISHI THEN RETURNED TO THE PROBLEM OF THE DECLINING DOLLAR AND ASKED WHAT DEVICES THE U.S. WAS TAKING OR INTENDED TO TAKE TO INTERVENE IN STEMMING THE DECLINE. UNDERSECRETARY COOPER ASSURED QURAISHI THAT THIS WAS OF CONCERN TO THE U.S. AND THE FIRST ORDER OF BUSINESS WOULD BE EXPANSION OF EXPORTS.

7. REGARDING A POSSIBLE INCREASE IN THE IMF QUOTA FOR THE SAUDIS, QURAISHI STATED THAT THE INCREASE WOULD BE SELECTIVE. HE STATED THAT SAG WAS BEGINNING TO APPRECIATE THE ADVANTAGES OF CO-FINANCING ON AID BUT THE SELECTIVITY WOULD STILL BE THE SAUDI GUIDELINE. QURAISHI ALLUDED TO THE INCREASING SAG EXPENDITURES AND THE POSSIBILITY THAT EXPENDITURES WOULD MORE NEARLY APPROXIMATE REVENUE IN THE CURRENT YEAR WITH A POSSIBLE SHORTFALL IN THE LATTER.

8. QURAISHI (WHOSE APPOINTMENT HAD TO BE ALTERED SEVERAL TIMES BECAUSE OF FOREIGN MINISTRY CHANGES IN COOPER SCHEDULE) WAS MOST GRACIOUS DURING THE 1 HOUR 45 MINUTE MEETING AND EXPRESSED THE HOPE THAT THE UNDERSECRETARY WOULD VISIT AGAIN.
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